

GST impact on Enterprise Resource Planning System in India

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Abstract

The ERP system needs to go through significant changes to cope with the changes from the Indirect tax system to GST system by the business houses. All the Business processes to be improved as the business migrate to GST. From the Transaction level to Reporting and Reconciliation level all the process to be changed as per the regulation mentioned by GST. The business houses are need to improve their ERP to cope with GST Changes. GST will have many impacts on ERP systems, some of them are expected in advance .Since the ERP vendors are rigorously preparing for the new GST environment, the rules must be followed and necessary changes be made in their business environment without causing inconvenience to their customers.

The Goods and Service Tax will lead to the evolution of a synchronized tax system in the country. Successful incorporation of GST would give India a world-class tax system and will increase the tax collection. It will also end the awaiting distortions of diverse treatments to the manufacturing and service sectors. GST will resolve the issue of inability to offset the input taxes. Change in the indirect taxation structure is going to impact all industry sectors. Starting from the taxes paid on raw materials by a manufacturer to the invoices raised by a retailer for an end consumer of a good all steps of the value change will experience a change in how taxation takes place.

Most of companies in India have adopted ERP system in one or the other form for day-to-day activities. The biggest challenge to adopt new taxation system in the form of GST in the existing ERP system. Companies took many years to develop their business and adopt ERP system to the current state.

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- Adaptability of GST in ERP to eliminate the chances of system collapse
- Business process refinement for processes like, interstate stock transfers, subcontracting etc. as per proposed GST framework
- Tax configuration and computation should accommodate the proposed taxation requirements
- The system should be capable to cater the needs of Reporting and printing requirements based on the regulatory requirements
- Impact on interfaces must be verified by the vendor, whether to a third party or your own ERP
- Tax credit migration, for taxes such as excise, service tax, VAT, etc
- Closure or reversal of partially open transactions before migrating to the new system
- Managing special case transactions in scenarios such as the goods sold or purchased before GST and returned after GST implementation, will be handled by ERP vendors depending upon the requirements of their respective clients

- Supply, includes all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. Keeping in mind, all supplies needs to be re-defined in the ERP system.
- Updating GST Registration number of Suppliers/Customers In Supplier and customer master, GST registration numbers must be mandatorily updated, which will impact Invoices issued/received in GST regime.
- Configuring GST tax ledger CGST, SGST, IGST, additional cess ledgers have to be created and applied based on transaction type.
- Configuring GST tax rate Rules GST council has agreed on rate structure as 0%, 5%, 12%, 18% and 28. These different slab rates have to be defined in system.
- Calculation of GST i.e, CGST/SGST/IGST/Additional cess In case of Intra-state transactions, Seller collects both CGST and SGST from buyer. In case of Inter-state transactions, Seller collects IGST from buyer. Additionally, on Luxury/Demerit goods, Seller has to collect additional cess. Provision should be made in the ERP system to accommodate these tax calculation changes.
- Voucher serial numbering A unique sequential numbering for outward supplies needs to be specified as per the directives given by GST authorities.
- Invoice/Document printing Existing Invoice/Document printing format has to be modified in accordance with GST.
- Free Supplies and Tax applicability In GST regime, as tax is applicable on Free Supplies, the existing ERP system has to be changed accordingly.
- Transactions through e-commerce operators In case of transactions through e-commerce operators, such e-commerce operator details needs to be captured and reported to the authorities. Necessary provision should be made to capture these details in the existing ERP system.
- Invoice matching In GST regime, Input tax credit will be made available, based on Vendor's Tax return and payment submission to authorities. Hence, each Vendor's evaluation is required. The ERP system should track these details.
- Submerging existing Tax structure As existing Indirect tax structure like Excise, Value Added Tax (VAT), Service Tax, etc., submerged as GST, most of the businesses have to de-activate these taxes in the ERP system.
- Managing Returns/Change in price of pre-GST Invoices ERP system should accommodate Returns and change in price of Invoices issued in earlier tax system.
- Chart of accounts In the existing system, separate accounting codes are maintained for each tax system i.e, Excise, VAT, Service tax. As these taxes are subsumed into GST, Chart of Accounts has to be modified in the ERP system.
- Report changes Existing reports like Sales Register, Purchase Register, MIS repost, etc., has be changed in accordance with GST requirements

- Return filing system changes In the existing system of ERP, separate Return/Annexure are submitted to each taxation like ER1, ST 3, various VAT return/Annexure, etc., As these taxes are subsumed into GST, the Return filing system has to modified as per GST requirements.
- e-ledgers In GST regime, e-ledger registers such as e-tax liability, e-tax credit and e-cash registers are maintained in the department website. Proper reconciliation system is required in ERP system, to ensure Books of Account and e-ledger register are same.
- Utilization of Credit / Payment of taxes As utilization of credit / Payment of taxes has to be done in e-ledgers which is maintained in department website, proper reconciliation system is required in ERP system.
- Ware house To optimize cost, enhance logistic service and improve customer service, companies can redefine their existing ware house structure. Based on these changes, ERP system should be changed accordingly

Conclusion to adopt these changes in existing ERP system will be a time consuming activity. Proper planning and execution are to be carried in order to smoothen the transition to GST regime.

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